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March 28, 2006

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, Massachusetts 02110

Re: Bay State Gas Company, D.T.E. 06-07

Dear Ms. Cottrell:

Enclosed for filing in the above referenced docket, are Bay State Gas Company's ("Company") responses to the following Information Requests issued by the Office of the Attorney General:

AG 1-1	AG 1-2	AG 1-3	AG 1-5	AG 1-6
AG 1-7	AG 1-8	AG 1-9	AG 1-12	AG 1-13
AG 1-14	AG 1-15			

Certain information required to respond to the remaining requests (AG 1-4, AG 1-10 and AG 1-11) is confidential. The Company will file a Motion for Protective Treatment for those responses under separate cover.

If you have any questions, please do not hesitate to call me at (508) 836-7394.

Sincerely,

Patricia M. French

cc: Denise Desautels, Hearing Officer (3 copies)  
Jamie Tosches, Esq., Assistant Attorney General (4 copies)  
Francisco C. DaFonte, NiSource

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D.T.E. 06-7

Date: March 28, 2006

Witness Responsible: Francisco C. DaFonte  
Director, Energy Supply Services

AG 1-1: Please provide copies of all existing, proposed, and expired contracts between Bay State (and/or any Bay State affiliates) and Northeast Gas Association (NEA) (and/or any of its affiliates). Include copies of the original contracts and all amendments for all existing, proposed, and expired contracts.

RESPONSE: The Company does not currently have nor has ever had any such contracts.

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Director, Energy Supply Services

AG 1-2: Please provide copies of all existing, proposed, and expired contracts between Bay State (and/or any Bay State affiliates) and Florida Light and Power (and/or any of its affiliates). Include copies of the original contracts and all amendments for all existing, proposed, and expired contracts.

RESPONSE: The Company does not currently have nor has ever had any such contracts.

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AG 1-3: If Bay State made any capital investments related to serving the NEA Cogeneration Facility, please provide the details supporting the amount that Bay State has included in the most recently approved (DTE 05-27) base rates.

RESPONSE: Bay State has not made any capital investments related to serving the NEA Cogeneration Facility.

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Director, Energy Supply Services

AG 1-5: Refer to Exhibits FCD-11, page 17. Please explain the meaning of data on the line for "NEA" and how each entry on the line was calculated. Provide all supporting calculations, work papers and assumptions. The response should explain how the price elements provided in response to the previous data request are incorporated in the SENDOUT model analysis.

RESPONSE: All of the data for NEA was calculated by the Sendout® Model. All units are in thousands, except for per units costs, and reflect the total usage and costs over the five-year period. Commodity costs are explained in greater detail in Bay State's response to AG-1-7. Supply usage is explained in greater detail in Bay State's response to AG-1-8.

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AG 1-6: Refer to Exhibit FCD-10, page 17. Please explain the meaning of the data on the line for the combined bidders and how each entry on the combined bidders' line was calculated. Provide all supporting calculations, work papers, and assumptions.

RESPONSE: All of the data for the combined bidders entry was calculated by the Sendout® Model. See Bay State's response to DTE 1-13 for information regarding the combined bidders. All units are in thousands, except for per unit costs, and reflect the total usage and costs over the five-year period. Demand costs (a.k.a., Fix Costs) are based on the average mark-up added to the NYMEX close in the combined bidders' bid (Exhibit FCD-7 CONFIDENTIAL). These mark-ups are in effect daily from December through February of each year. Commodity costs are explained in greater detail in Bay State's response to AG-1-7. Supply usage is explained in greater detail in Bay State's response to AG-1-8.

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AG 1-7: Refer to Exhibits FCD-10 and 11, page 17. Please explain the differences in data listed in the Average Commodity Cost Column in Exhibits FCD-10 and 11.

RESPONSE: Commodity Costs for the combined bidders are based upon the monthly NYMEX close for December through February of each year in the model run. See Bay State's response to DTE 1-13 for information regarding the combined bidders. Future NYMEX prices are derived from the NYMEX futures strip.

Commodity Costs for NEA are based on the monthly Transco Non- New York price when this resource is dispatched. For modeling purposes, these prices are estimated as a mark-up, or differential, over the NYMEX. As shown in Exhibit FCD-8, the winter differential was determined by taking the average difference between the Transco-/Non- New York price and the NYMEX close. In addition, the NEA supply is taken during the off-peak months of April through October when it is economically feasible. Thus, NEA's average commodity cost is lowered by purchasing supply during the off-peak season.

Commodity Costs for all other sources are based on amounts dispatched by SENDOUT, depending on the available system option input to the model. As indicated, these costs differ slightly between options.

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Director, Energy Supply Services

AG 1-8: Refer to Exhibit FCD-10 and 11, pages 16 and 17. Please explain the meaning of the column "Surplus" and how the amounts were determined in this column.

RESPONSE: The column entitled Surplus reflects the difference between the availability of a resource ("max take") and the amount it is dispatched ("total take"). The zero surplus value for the combined bidders reflects the supply being dispatched on a 100% load factor basis from December through February and not being available at any other time. See Bay State's response to DTE 1-13 for information regarding the combined bidders.

The surplus for NEA, on the other hand, shows a significant value. This is because the supply is associated with transportation on Algonquin Gas Transmission. The contract with NEA provides that Bay State pay for this pipeline capacity for 10 months of each year<sup>1</sup> of the contract. Therefore, the model can take advantage of dispatching additional supply quantities into Algonquin in the off-peak season of April through October, when prices dictate. The availability of this resource is for 10 months as opposed to 3 months for the combined bidders; the large surplus value indicates that the SENDOUT model dispatched this resource in limited amounts during the off-peak season.

The surpluses for all other sources are based on amounts dispatched by SENDOUT, depending on the available system option input to the model. As indicated, these surpluses differ slightly between options.

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<sup>1</sup> Bay State has the option to return this capacity back to NEA for the months of November and March.

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Director, Energy Supply Services

AG 1-9: Does the Company consider the contract between the Company and NEA governing Bay State's acquisition of incremental capacity and supply a take or pay contract? Please explain.

RESPONSE: The proposed contract between Bay State and NEA is a baseload contract for the peak winter months of December through February. As such, on each day Bay State will take delivery of all of this supply.

The NEA supply is a "best-cost" resource that contributes to the Company's diverse and flexible portfolio through a combination of baseload, swing, and spot supplies.

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Director, Energy Supply Services

AG 1-12: When and under what conditions does the Company first need incremental supplies under the Company's most recently approved resource supply plan? What is the initial amount of the shortfall and which of the Company's operating divisions are affected? Provide copies of the section of the plan or Department Order that supports the response to AG-1-12.


RESPONSE: Bay State's most recently approved resource supply plan (DTE 02-75) indicated the Brockton division would need additional resources (13,400 Dth/day) on the design day during the winter of 2006-2007. See Attachment AG 1-12 for the specific text (pages 58 – 59) and table (Schedule BSG-IV-10) from that supply plan indicating this need and the section of the Department's approval order (pages 19 – 21) discussing this need.

In that plan, Bay State assumed its existing city-gate service with DOMAC would continue. However, as evidenced by the Company's RFP analysis, the NEA supply is more cost effective and the DOMAC supply (25,000 Dth/per day) has not been renewed. Thus, the increase in current resources to serve the Brockton division on the design day compares favorably with the Company's approved resource supply plan.

Further, incorporating Bay State's latest demand forecast into the supply/demand balance indicates Bay State will need additional resources to meet design day conditions in January 2009. Bay State will continue to monitor this situation and will update the Department on the Company's ability to meet future demand requirements when it files its next resource supply plan in October 2006.

## V. BAY STATE RESOURCE ACTION PLAN


Based on its current forecast and supply plan, Bay State has made or will soon be finalizing a number of important resource decisions in order to continue its obligation to provide safe and reliable service to its customers. Many of these decisions will require Department review and approval, which Bay State has already sought, or soon will be seeking in separate filings with the Department. Bay State is not seeking approval of these decisions in this long-range F&SP proceeding; however, the primary resource strategies and plans set forth herein are consistent with material previously submitted, or soon to be submitted to the Department in various dockets where Bay State is requesting contract approvals. This section of Bay State's long-range forecast and supply plan summarizes the Company's current strategies related to each of these specific resource decisions.




### A. Incremental Capacity Resource Decisions

Bay State's most immediate resource need is for incremental capacity on the Hubline project to meet its growing Brockton requirements. Bay State is currently planning to enter into a ten-year agreement with Duke Energy for 20,000 Dth/day of Hubline capacity. This is an incremental pipeline that runs from Beverly, Massachusetts to Weymouth, Massachusetts via a pipeline that runs underneath Boston harbor and is scheduled to be in operation by November 1, 2003. The quantity of Hubline capacity Bay State is subscribing for is somewhat higher than that reflected in the SENDOUT analyses for the five-year period discussed previously. However, since Hubline is a ten-year service commitment, the small additional increment of Hubline capacity will provide greater flexibility to meet future demands in the Brockton division, which is constrained. In addition, SENDOUT indicates that substantial additional quantities of Hubline are cost effective beyond the initial five-year

period as shown in Table BSG-IV-2. The following considerations that are not reflected in the Company's SENDOUT analysis further support Bay State's decision to enter into this contract at this time:

- 
- The Brockton service territory needs additional capacity to keep up with growing demand.
  - Hubline will allow the Brockton service territory to receive gas from either western Alberta or the Canadian Maritimes.
  - Duke Energy will construct a new meter station in Sharon at no charge providing the Brockton division with much needed pressure support and a reliable gas supply path.
  - Bay State will pay a discounted rate for this service.
  - Duke Energy is making capacity on the Hubline project available at this time. Any delay in subscribing for this service may allow other shippers to acquire all available capacity on the Hubline project.



Even with the addition of the Hubline capacity, Bay State will still need additional resources in the Brockton service territory to meet projected peak day demand over the five-year forecast horizon. At this time, Bay State is evaluating the option of signing up for a citygate supply to meet peak day requirements but will re-evaluate all available options prior to acquiring any additional incremental services.

In addition to Hubline, Bay State is also in the process of evaluating the opportunity to subscribe for incremental Zone 6 capacity on Tennessee Gas Pipeline with a receipt point in Haverhill, MA. Based on its analyses similar to Hubline, Bay State could subscribe for approximately 15,000 to 20,000 Dth per day of Tennessee Zone 6 capacity over a ten-year forecast period; however, this decision is related to its strategy for renewing or replacing the existing El Paso peaking contract set to expire in March 2003. The incremental Tennessee Zone 6 capacity would be beneficial to Bay State in that it will allow the Company to access

Bay State Gas Company  
2002 F&SP FILING  
Requirements vs. Resources  
Design Day - Base Case  
(MMBtu)

	Winter 02-03	Winter 03-04	Winter 04-05	Winter 05-06	Winter 06-07
<b>Requirements</b>					
Firm Sendout	545,890	551,630	557,890	564,180	570,450
Interruptible Sales	0	0	0	0	0
Less Grandfathered Transportation	(134,020)	(133,970)	(133,980)	(133,980)	(133,990)
<b>Total Requirements</b>	<b>411,870</b>	<b>417,660</b>	<b>423,910</b>	<b>430,200</b>	<b>436,460</b>
<b>Resources</b>					
Algonquin Via Pipeline	54,332	54,192	54,202	54,202	54,532
Hubline	0	20,000	20,000	20,000	20,000
AGT via Storage	37,828	37,828	37,828	37,828	37,828
Tennessee via Pipeline	38,544	38,694	38,694	38,704	38,344
Tennessee Incremental	0	14,000	14,000	14,000	14,000
Tennessee via Storage	27,921	27,921	27,921	27,921	27,921
PNGTS	41,293	44,278	44,278	44,278	44,278
Off System Peaking	51,430	41,630	41,630	41,630	41,630
On System Peaking	160,520	139,120	145,360	151,640	144,530
Brockton Citygate	0	0	0	0	13,400
<b>Total Resources</b>	<b>411,870</b>	<b>417,660</b>	<b>423,910</b>	<b>430,200</b>	<b>436,460</b>
Unserved	0	0	0	0	0

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adequate supplies to meet its normal year and design year forecast sendout requirements throughout the forecast period.



2. Design Day Adequacy

a. Description

The Company explains that it has adequate capacity to serve the design day requirements throughout the forecast period (Exh. BSG-1, at 55). Bay State plans to meet its design day needs through existing firm pipeline supplies, underground storage and peaking LNG and storage injections (id.). Bay State forecasts that design day firm sendout requirements will increase from 411,870 MMBtu in the 2002-2003 heating season to 436,460 MMBtu in the 2006-2007 heating season (Exhs. BSG-1, at 55; BSG-IV-10).



b. Positions of the Parties

i. DOER

DOER argues that Bay State lacks sufficient firm design-day capacity to assure supply to its Brockton division (DOER Brief at 10). DOER points out that the Company does not have firm contracts for 9,269 MMBtu of its storage supply to Brockton (id. at 11). Therefore, DOER argues that it is not an appropriate planning measure for the Company to rely on this capacity on the design-day (id.).

ii. The Company

Bay State notes that it had a proposed agreement with Algonquin Gas Transmission Company to acquire capacity on its new Hubline project (Company Brief at 20). The Company argues that, with this new capacity, it has identified an appropriate set of alternatives to meet the anticipated capacity for the Brockton division (id. at 21).

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c. Analysis and Findings



As noted previously, the Department finds the design day forecast reviewable, appropriate, and reliable. Further, the Company's proposed agreement with Algonquin has since been approved by the Department. Bay State Gas Company, D.T.E. 03-37 (2003).

Based on this subsidiary finding and the requirements and resource schedules, the Department finds that Bay State has demonstrated that it has adequate supplies and facilities to meet forecasted sendout requirements under the design day conditions throughout the forecast period.

3. Cold-Snap Adequacy

a. Description

Bay State conducted a cold-snap analysis using its historical coldest 24-day period with a daily mean of 54 to 55 effective degree days ("EDD") (Exh. BSG-1, at 30). Bay State explained that in order to meet this extended period of peak demand, it could dispatch its full portfolio of pipeline supplies, storage volumes, LNG and propane at its production facilities (id. at 55). The Company's filing demonstrated that the existing and proposed supply resources could satisfy such a contingency (Exh. BSG-1; Schedule BSG-IV-9).

b. Analysis and Findings

Based on the Company's analysis, the Department finds that Bay State has demonstrated that it has adequate supplies to meet its firm sendout requirements during a prolonged cold-snap.

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4. Conclusions on the Adequacy of the Supply Plan

The Department finds that: (1) the normal year and design year supply plans are adequate to meet the Company's forecasted sendout requirements throughout the forecast period; (2) the Company has demonstrated that it has adequate supplies to meet forecasted sendout requirements under design day conditions throughout the forecast period; and (3) the Company has demonstrated that it has adequate supplies to meet its firm sendout requirements during a prolonged cold-snap. Based on these subsidiary findings, the Department finds that Bay State has identified adequate resources to meet its firm sendout requirements throughout the forecast period.

D. Supply Planning Process

1. Standard of Review

The Department has determined that a supply planning process is critical in enabling a utility company to formulate a resource plan that achieves an adequate, least-cost and low environmental impact supply for its customers. Berkshire Gas Company, D.P.U. 94-14, at 36 (1994); Colonial Gas Company, D.P.U. 93-13, at 70 (1995); 1992 Boston Gas Decision, at 223; Boston Gas Company, 19 DOMSC 332, at 388 (1990) ("1990 Boston Gas Decision"). The Department has noted that an appropriate supply planning process provides a gas company with an organized method of analyzing options, making decisions, and reevaluating decisions in light of changed circumstances. D.P.U. 94-14, at 36; D.P.U. 93-13, at 70; 1992 Boston Gas Decision, at 223; 1990 Boston Gas Decision, at 388. For the Department to determine that a gas company's supply planning process is appropriate, the process must be fully documented. D.P.U. 93-13, at 70; 1992 Boston Gas Decision, at 223.

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D.T.E. 06-7

Date: March 28, 2006

Witness Responsible: Francisco C. DaFonte  
Director, Energy Supply Services

AG 1-13: Please provide copies of all documents relating to the request for proposals ("RFP") associated with the Company's competitive solicitation process to procure gas supply in this matter, D.T.E. 06-7. Include copies of all the initial request letter(s) sent to each bidder, any updates in those letters, original RFPs, modification or amendments to the RFPs, and any responses sent by the RFP recipients to the Company. Include in this response all evaluations, studies, reports, correspondence, e-mails, notes, presentation materials, and work papers related to the RFP response.

RESPONSE: The Company issued the same RFP to all potential bidders and a copy of that RFP was provided in D.T.E. 06-7 as Exhibit FCD-5 to Mr. DaFonte's testimony.

All RFP responses have been provided in this Docket as Exhibit FCD-6 to Mr. DaFonte's testimony.

All cost and non-cost bidder evaluations have been provided as Exhibits FCD-7, FCD-8, FCD-9, FCD-10, FCD-11, FCD-12 and FCD-13 to Mr. DaFonte's testimony in this Docket.

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AG 1-14: Please describe any RFP pre-bid conference that took place to allow RFP recipients an opportunity to ask questions about the RFP and describe any other opportunities that allowed recipients to receive clarification of the Company's terms and objectives stated in the RFP.

RESPONSE: The Company did not conduct a pre-bid or post-bid conference. The Company believes its RFP was sufficiently comprehensive and clear and, as it does with other solicitations for service, encourages potential bidders to call the Company's contact listed on the RFP with any questions or clarifications.

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AG 1-15: See Exhibit BSG-1 page 16-17. Please provide a detailed explanation of the evaluation process that the company used to evaluate the nine proposals it received from the final bidders to the RFP.

RESPONSE: As explained in Mr. DaFonte's testimony (see Exhibit BSG-1 at 17) the bids were segregated into two groups: (a) those that had a NYMEX basis price with those that had a Transco Non-NY basis price; and (b) those that had an Algonquin city-gate basis price.

In comparing the NYMEX and Transco Non-NY basis bids, it was clear the NEA bid was the least-cost alternative. In comparing the Algonquin city-gate basis bids, the Company selected the two lowest bids.

In comparing the NEA bid to the Algonquin city-gate bids, the Company utilized its SENDOUT® simulation model to determine the least-cost bid. Those results were provided in Exhibit FCD-9, FCD-10 and FCD-11.